



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ROWAN COUNTY CLERK**

**Calendar Year 2000**

**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ROWAN COUNTY CLERK**

#### **Calendar Year 2000**

We have completed our audit of the Rowan County Clerk's 2000 fee audit. The County Clerk maintained her records in an excellent manner that allowed us to efficiently complete the audit. The audit report contains no comments or recommendations and the County Clerk complied materially with laws and regulations applicable to her office. The financial statement presents fairly the results of her operations for the year and indicated she ended the year with excess fees of \$11,023. The County Clerk paid these excess fees to the fiscal court as required by law. No other significant items came to our attention during the audit of the Rowan County Clerk's 2000 fee audit.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Clyde A. Thomas, Rowan County Judge/Executive  
Honorable Jean W. Bailey, Rowan County Clerk  
Members of the Rowan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Rowan County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Clyde A. Thomas, Rowan County Judge/Executive  
Honorable Jean W. Bailey, Rowan County Clerk  
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In accordance with Government Auditing Standards, we have also issued a report dated March 29, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 29, 2001



ROWAN COUNTY  
JEAN W. BAILEY, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Grants	\$	1,592
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State Fees For Services		14,497
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Fiscal Court		9,081
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	454,373
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Usage Tax		1,733,540
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Lien Release Fees		4,314
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Tangible Personal Property Tax		975,744
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Miscellaneous Income		5,393
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Licenses-

Fish and Game		4,636
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Marriage		9,280
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Miscellaneous Licenses		505
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Deed Transfer Tax		30,394
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Delinquent Tax		98,969
		3,317,148

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	13,368
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Real Estate Mortgages		19,773
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Chattel Mortgages and Financing Statements		61,236
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Powers of Attorney		1,620
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All Other Recordings		17,497
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Charges for Other Services-

Candidate Filing Fees		510
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Copywork		3,916
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Postage		1,227
		119,147

Interest Earned		2,536
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Refunds and Overpayments		2,399

Gross Receipts (Carried Forward)	\$	3,466,400
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ROWAN COUNTY  
 JEAN W. BAILEY, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2000  
 (Continued)

Gross Receipts (Brought Forward) \$ 3,466,400

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 341,311	
Usage Tax	1,679,405	
Tangible Personal Property Tax	410,241	

Licenses-

Fish and Game	3,117	
Delinquent Tax	29,897	
Legal Process Tax	19,504	
Candidate Filing Fees	210	\$ 2,483,685

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 61,341	
Delinquent Tax	9,524	
Deed Transfer Tax	28,874	
Miscellaneous	290	100,029

Payments to Other Districts:

Tangible Personal Property Tax	\$ 466,503	
Delinquent Tax	48,385	514,888

Payments to Sheriff 1,899

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies Salaries	\$ 161,276	
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Employee Benefits-

Employer's Paid Health Insurance	23,164	
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Contracted Services-

Computer Software and Maintenance	40,325	
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Supplies and Materials-

Office Supplies	20,297	
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Library and Archives Grant	1,592	
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ROWAN COUNTY  
 JEAN W. BAILEY, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2000  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Bank Charges	\$	924	
Dues		2,214	
Postage		5,066	
Refunds		5,517	
Miscellaneous		<u>995</u>	\$ 261,370
Capital Outlay-			
Office Equipment			5,400
Debt Service:			
Lease Purchases		<u>19,572</u>	
Total Disbursements			<u>\$ 3,386,843</u>
Net Receipts			\$ 79,557
Less: Statutory Maximum			<u>63,541</u>
Excess Fees			\$ 16,016
Less: Expense Allowance	\$	3,600	
Training Incentive Benefit		<u>1,393</u>	<u>4,993</u>
Excess Fees Due County for Calendar Year 2000			\$ 11,023
Payments to County Treasurer- February 16, 2001	\$	10,000	
March 30, 2001		<u>1,023</u>	<u>11,023</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting certain revenues and certain expenditures are recognized as a result of accrual.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

ROWAN COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2000  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution, Morehead National Bank, and met requirements (a), (b), and (c) stated above. However, as of April 10, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit at Morehead National Bank, leaving \$25,207 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 149,087
Insured with Federal Deposit Insurance Corporation	100,000
Uncollateralized and Uninsured	<u>25,207</u>
Total	<u>\$ 274,294</u>

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$1,592. Funds totaling \$1,592 were expended during calendar year 2000. The unexpended grant balance is \$0 as of December 31, 2000.

ROWAN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2000  
(Continued)

Note 5. Leases

The Rowan County Clerk has the following lease commitments as of December 31, 2000:

<u>Item</u> <u>Purchased</u>	<u>Monthly</u> <u>Payment</u>	<u>Term of</u> <u>Agreement</u>	<u>Ending</u> <u>Date</u>	<u>Balance</u> <u>December 31, 2000</u>
Mail Machine	\$ 138	60 months	January 2002	\$ 1,659
Copier	\$ 312	60 months	December 2004	\$ 11,237
Copier	\$ 161	60 months	December 2004	\$ 5,804
Computer Equipment	\$ 1,271	60 months	December 2002	\$ 22,221

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Rowan County Clerk as of December 31, 2000, and have issued our report thereon dated March 29, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Rowan County Clerk's financial statement as of December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rowan County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 29, 2001

